

**Utah Renewable Energy Initiative**  
**August 22, 2007**

**Questions to address when considering a Renewable Portfolio Standard (RPS):**

**1. What is the purpose that the state wants to accomplish?**

Increase the presence of renewable energy sources to increase diversity.

Generate electricity with less GHG emissions.

Enhance energy security.

Create economic development opportunities.

**2. Is a mandate necessary or is it sufficient to set targets and remove statutory and regulatory impediments?**

*Comments:*

Important to have a goal

23 states have chosen to go with mandates

Important to consider examples in other states

Still a lot of unknowns

Some states have targets and/or voluntary programs

If utility has to buy, costs get driven up

Don't want to create artificial scarcity/false markets

May want to include incentives in this item

**3. If a mandate is imposed, will it be reconciled with state standards regarding cost effectiveness?**

Yes, through the implementation of design elements such as exit ramps, caps, and other features

*Comments:*

Don't want one legal requirement to result in not meeting other legal requirements

#### **4. How will consumers' interests be protected?**

Yes, they need to be protected.

*Comments:*

Not just financial interests (e.g. health, GHG, etc.)/need to break down into several interests

May want to monetize externalities (but difficult to come up with a uniform approach to these costs); "external costs" already exist somewhere in the economy

The IRP process allows for consumer interests to be addressed, but not all parties have same resources

How do we prevent the creation of economic losers?

Need to have an exit ramp or other features to protect the economy

Design process needs to be open enough to capture range of public interests and critical enough to ensure the public interest

Need to ensure availability of reliable electricity for consumers; Utah's peak load is growing dramatically

#### **5. How should benefits and costs be passed on to customers and through what mechanism?**

See #4 above

#### **6. Will RPS targets be based on nameplate capacity or retail sales?**

Go with retail sales (or generation), but with some sort of force majeure clause to deal with contingencies (Carol Hunter will look into this)

*Comments:*

Difficult to project retail sales/very complex

May want to look to other states

To get at GHG emissions, it's important to look at sales/generation; may want to look at contribution to overall capacity, not just nameplate capacity

**7. What ultimate percentage of renewable energy should be achieved by what date, and what, if any, interim benchmark goals should be established?**

**8. Should the details be developed in legislation or delegated to a regulatory agency?**

Needs to be a balance between the amount of detail in the legislation and regulatory process, but there needs to be sufficient detail in the legislation to provide certainty.

*Comments:*

Going with rulemaking for program details allows more flexibility

If legislation is too vague, utilities don't get enough certainty; needs to have sufficient detail to ensure that utilities know what they're dealing with

Three or four different government agencies involved; which elements would be regulated by which agency?

Legislation should remove regulatory barriers, affirm a definition of cost effectiveness, establish ultimate target, allow timely inclusion of both costs and benefits in rates, provide acknowledgement of any additional risks the utilities might encounter

**9. Which resources qualify as “renewable energy” and what limitations, if any, will be placed on the use of these resources for compliance?**

**10. Through what means can an electric utility comply with an RPS; e.g., ownership of renewable generation, purchase of renewable energy, purchase of renewable energy credits (RECs), alternative compliance payments (ACPs), penalties in lieu of compliance?**

**11. What restrictions would be placed on an electric provider's ability to use RECs to comply with an RPS?**

**12. With regard to facility vintage, which generating facilities count toward compliance with the RPS?**

13. With regard to geographic eligibility, will limitations be established for use of qualifying generation and RECs for compliance?

14. Would the same RPS requirements apply equally to all retail electric providers, or would requirements vary based on a provider's market share?

15. Under what circumstances will a utility be granted an exemption from compliance with RPS requirements?

16. Should there be penalties for an electric provider's failure to comply with RPS?

17. What considerations should be given to the establishment of a State RPS to provide for maximum compatibility with a prospective Federal RPS?

**Additional Items:**

- \* Linkage between RPS and incentives and economic development tools
- \* Reductions in criteria pollution emissions

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Kyle L. Davis, PacifiCorp / Rocky Mountain Power  
(503-813-6601) or kyle.l.davis@pacificorp.com

Specific RPS Design Elements that Will Affect Compliance Costs:

- Percentage targets and timeframes
  - Resource eligibility
  - Geographic eligibility and delivery requirements
  - Set asides for solar or other resource types
  - Flexible compliance mechanisms (RECs, banking, borrowing, settlement periods)
  - Encouragement for long-term contracting
- Resource/Project “Cost Effectiveness” Cost Cap Mechanisms in Use in Other RPS States:

- Codification of Risk-Adjusted, Least-Cost Standard
    - Oregon
  - Bundled Contract Price Caps
    - New Mexico, Hawaii, Montana
  - Alternative Compliance Payments (freely available)
    - Massachusetts, New Jersey, Rhode Island
  - Alternative Compliance Payments (available/recoverable in rates if least cost measure and/or insufficient available renewable energy)
    - Delaware, District of Columbia, Maryland, Oregon
- Overall RPS Program Compliance Cost Cap Mechanisms in Use in Other RPS States
- Retail Rate/Revenue Cost Cap
    - Colorado, New Mexico, Oregon, Washington
  - Financial Penalty (for competitive suppliers, will act as cost cap)
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Connecticut, Texas, Oregon, Pennsylvania

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Customer-Class Bill Impact

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New Mexico, Maryland, Delaware, Maine

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Renewable Energy Fund Limitation

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Arizona, California, New York

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Force Majeure Clauses

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Pennsylvania, Minnesota, Nevada, Maine, Oregon, etc.

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